

**STATEMENT
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CHAIRMAN AND CHIEF EXECUTIVE OFFICER,
STATE STREET CORPORATION
UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE, AND
TRANSPORTATION
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Mr. Chairman and members of the Committee. Thank you for the opportunity to appear before you. My name is Marshall Carter, and I am Chairman and Chief Executive Officer of State Street Corporation and its primary operating entity, the State Street Bank & Trust Company.

I will be speaking briefly today and respectfully ask the Committee's permission to submit a longer written statement for the record.

Mr. Chairman, State Street applauds the Committee for coming forward on this issue – and we fully share your concerns regarding the country's Y2K readiness.

State Street is totally committed to making our information systems Y2K compliant. We are committing up to \$200 million – and a good deal of time, sweat and brains to be ready.

As you may know, State Street is a 207-year-old financial services

company that oversees \$4.8 trillion of customer retirement assets in our custody business and manages the investment of \$485 billion in customers' funds – in the United States and around the world.

In much of our business, we act as an agent or true financial intermediary in a complex, interconnected chain of financial transactions. As a middleman, we interact electronically with securities depositories, broker/dealers, banks, stock exchanges, telecommunications and utility providers, our customers and investment data services in more than 80 countries.

Our business exposes us to the readiness – or failure – of multiple parties beyond our control. Regardless of how well we have prepared our own information systems technology for Y2K, our ability to deliver our services remains dependent upon the state of readiness of thousands of other service providers.

State Street and companies like us play an essential role in the global, real-time transmission of financial information.

- We deliver investment information to 42 million individuals who invest in mutual funds or participate in defined benefit and defined contribution pension plans.
- We deliver daily prices for over 1,200 U.S. mutual funds – roughly a third of all such funds in the country -- to our customers, other intermediaries and news services.

- We process securities trades for our global client base of institutional investors in over 80 markets, and we interact with more than 100 subcustodian banks around the world.
- Worldwide, we rely on more than 1,800 vendors to provide us with over 6,000 technology and financial information products. We have significant resources in systems and, in fact, one software function that processes 150 million transactions per day.

Many of our colleagues and competitors throughout our highly regulated industry face the same exposure I've described – and are demonstrating a similar commitment to Y2K compliance.

Indeed, United States banking and financial firms as a group have been cited by Federal supervisors -- and recognized by the President's Council on Year 2000 Conversion – for being “well ahead of most organizations” on Y2K.

Safe Harbor

My message for you today, Mr. Chairman, is that American industry needs relief from the threat of punitive and consequential damages for Year 2000 disruptions that may occur up or down the chain – caused by forces beyond our control despite our extraordinary efforts to prevent them.

Our role is to act as a financial intermediary. We cherish and thrive in that role -- but we are vulnerable to events that may be beyond our control.

Our total commitment to preparing for Y2K is motivated by our desire to meet our obligations to our customers and to preserve our reputation for precision and delivery of quality services – not by our fear of facing punitive and consequential damages if we fail.

We fully support ongoing efforts by the SEC, the Federal Reserve and other regulators to ensure Y2K compliance. We commend Congress and the Administration for enacting the Year 2000 Information and Readiness Disclosure Act -- and the SEC for extending safe harbor protection for forward-looking statements in this area.

But despite these measures, there is still no adequate -- or reliable -- legal “safe harbor” against punitive and consequential damages for companies that have met all regulatory requirements and standards -- however much we invest, and in spite of our good faith.

All market participants understand their contractual liability for failing to exercise due care in performing their obligations to customers, business partners and other counterparties.

But the continuing threat of punitive and consequential damage awards in cases of Y2K failures does not -- as many insist -- serve to increase preparedness and compliance.

To the contrary, the threat of litigation and excessive damages -- which are virtually impossible to insure against through normal commercial channels -- is actually chilling communication, information sharing and problem solving.

We have found that our efforts to monitor and evaluate the many links in the investment chain are often hampered by a lack of meaningful disclosures -- particularly in some foreign markets.

Our customers press us for assurances and guarantees that providers in these markets are preparing diligently for Y2K. Often, we are able to provide only bits and pieces of information -- not a thorough assessment.

As concerns about litigation continue to grow, without protection from excessive damages many firms will continue to be wary of disclosures. And the communication chill will only intensify.

Mr. Chairman, let me underscore that we are not advocating a radical, sweeping reform of the nation's tort law but, rather, pinpointing **specific provisions** to help this nation address the **specific** Y2K challenge more constructively.

We regard S.96 as a major step in the right direction. Our legal staff is taking a close look at the bill, and we will have some detailed written comments to offer the Committee at a later date.

Mr. Chairman, we believe acting now, as you have proposed, is the best way to lift the chill of unwarranted and abusive litigation – and enable American industry to do an even better job of solving the challenge of the millennium.

Thank you.

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